

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Novesta Township	County Tuscola
Audit Date 3/31/04	Opinion Date 5/28/04	Date Accountant Report Submitted to State: JUNE 14, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

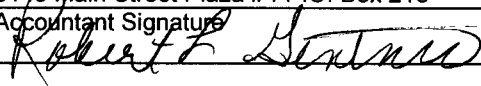
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.			
Street Address 3149 Main Street Plaza #4 P.O. Box 218	City Marlette	State MI	ZIP 48453
Accountant Signature 			

**NOVESTA TOWNSHIP**

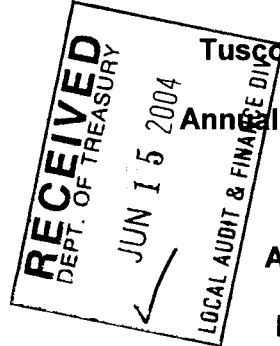
**Tuscola County, Michigan**

**Annual Financial Statements**

**and**

**Auditors' Report**

**March 31, 2004**



**NOVESTA TOWNSHIP**  
**Tuscola County, Michigan**  
**Annual Financial Statements**  
**and**  
**Auditors' Report**  
**March 31, 2004**

**TOWNSHIP BOARD**

SUPERVISOR..... RONALD PALMER  
CLERK ..... KAREN MOZDEN  
TREASURER ..... RALPH ZINNECKER  
TRUSTEE..... RON PATERA  
TRUSTEE..... DALE CHURCHILL

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## Independent Auditors' Report

Members of the Township Board  
Novesta Township  
Tuscola County, Michigan

We have audited the accompanying general purpose financial statements of Novesta Township as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Novesta Township at March 31, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplementary financial information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Novesta Township. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Yeo & Yeo, P.C.*

Marlette, Michigan  
May 28, 2004

**Novesta Township**  
**Combined Balance Sheet - All Funds and Account Groups**  
**March 31, 2004**

	Governmental Funds	Account Groups	Fiduciary Fund	Totals (Memorandum Only)
	General	General Fixed Assets	Agency	March, 31 2004
<b>Assets</b>				
Cash and certificates of deposit	\$ 60,371	\$ -	\$ 117,224	\$ 177,595
Receivables				
Taxes	8,579	-		8,579
Administrative fee	1,007			1,007
Garbage assessment	12,694			12,694
Due from agency fund	117,224			117,224
Land, building and equipment	-	62,992	-	62,992
<b>Total assets</b>	<b>\$ 199,875</b>	<b>\$ 62,992</b>	<b>\$ 117,224</b>	<b>\$ 380,091</b>
<b>Liabilities</b>				
Due to general fund	\$ -	\$ -	\$ 117,224	\$ 117,224
<b>Fund Balance</b>				
Investment in general fixed assets	-	62,992	-	62,992
Unreserved	199,875	-	-	199,875
<b>Total fund balance</b>	<b>199,875</b>	<b>62,992</b>	<b>-</b>	<b>262,867</b>
<b>Total liabilities and fund balance</b>	<b>\$ 199,875</b>	<b>\$ 62,992</b>	<b>\$ 117,224</b>	<b>\$ 380,091</b>

See Accompanying Notes to Financial Statements

**Novesta Township**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - General Fund**  
**Year Ended March 31, 2004**

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Revenues	
Taxes	\$ 67,618
Intergovernmental - state	123,606
Charges for services	72,894
Cemetery revenue	11,905
Interest	1,474
Other revenue	<u>2,753</u>
Total revenues	<u>280,250</u>
Expenditures	
General government	41,338
Public safety	20,879
Highways and streets	98,706
Cemetery	10,480
Other expenditures	<u>99,244</u>
Total expenditures	<u>270,647</u>
Excess of revenues over expenditures	9,603
Fund balance, at beginning of year	<u>190,272</u>
Fund balance, at end of year	<u><u>\$ 199,875</u></u>

See Accompanying Notes to Financial Statements

**Novesta Township**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**Year Ended March 31, 2004**

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues			
Taxes	\$ 57,050	\$ 67,618	\$ 10,568
Intergovernmental - state	120,000	123,606	3,606
Charges for services	67,710	72,894	5,184
Cemetery revenue	5,000	11,905	6,905
Interest	1,000	1,474	474
Other revenue	1,100	2,753	1,653
Total revenues	<u>251,860</u>	<u>280,250</u>	<u>28,389</u>
Expenditures			
General government	42,380	41,338	(1,042)
Public safety	21,264	20,879	(385)
Highways and streets	88,100	98,706	10,606
Cemetery	11,000	10,480	(520)
Other expenditures	93,710	99,244	5,534
Total expenditures	<u>256,454</u>	<u>270,647</u>	<u>14,193</u>
Excess (deficiency) of revenues over expenditures	(4,594)	9,603	14,197
Fund balance, at beginning of year	<u>190,272</u>	<u>190,272</u>	<u>-</u>
Fund balance, at end of year	<u>\$ 185,678</u>	<u>\$ 199,875</u>	<u>\$ 14,197</u>

See Accompanying Notes to Financial Statements



**Novesta Township**  
**Notes to Financial Statements**  
**March 31, 2004**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Novesta Township is located in Tuscola County. The Township is operated under a Township Board consisting of five (5) members. The Township provides various services to approximately 1,462 residents.

The accounting policies of Novesta Township conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of more significant policies:

**(a) THE REPORTING ENTITY**

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The Township is the primary government which has oversight responsibility and control over all activities. The Township receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Township is not included in any other governmental "reporting entity" as defined in GASB pronouncements since the Township Board members are a publicly elected governing body that has separate legal standing and is fiscally independent of other governmental entities. As such, the Board has decision making authority, the authority to levy taxes and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Township does not include any other component within its general purpose financial statements.

**(b) FUND ACCOUNTING**

The accounts of the Township are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues, and expenditures. The various funds and account groups are grouped as follows in the financial statements.

**GOVERNMENTAL FUNDS**

**GENERAL FUND** - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**FIDUCIARY FUNDS**

Fiduciary Funds are used to account for assets held by the Township in a trustee capacity or as an agent.

**AGENCY FUNDS** - Agency Funds are used to account for assets held by the Township as an agent, are custodial in nature (assets equal liabilities) and do not involve measurement

**Novesta Township**  
**Notes to Financial Statements**  
**March 31, 2004**

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of results of operations.

TAX FUND - The Township presently maintains a Tax Fund to record the receipts and disbursements of tax revenues to the appropriate governmental units.

**ACCOUNT GROUPS**

GENERAL FIXED ASSETS ACCOUNT GROUP - This account group is established to account for all fixed assets of the Township.

(c) **BASIS OF ACCOUNTING**

All governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

Property tax revenues are recognized when they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property taxes receivable which are not available to the Township until a subsequent year are classified as deferred revenues.

Property taxes are assessed as of December 31 and the related taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 14, before they are added to the County tax rolls.

(d) **RECEIVABLES**

Receivables have been recognized for all significant amounts due the Township. Valuation reserves have not been provided in that collection thereof is not considered doubtful and any uncollected amounts would be immaterial.

(e) **BUDGETS AND BUDGETARY ACCOUNTING**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's Supervisor submits to the Township Board a proposed budget by March 31, of each year. The budget includes proposed expenditures and a means of financing them.
2. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
3. Budgeted amounts are as originally adopted by the Township Board.

**Novesta Township**  
**Notes to Financial Statements**  
**March 31, 2004**

(f) FUTURE CHANGES IN ACCOUNTING STANDARDS

The Governmental Accounting Standards Board has issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This new reporting standard will impact the Township’s revenue and expenditure recognition; and assets, liabilities and fund equity reporting. The new standard will also require reformatting of the financial statements and restating beginning balances. The Township is required to implement the new reporting model for the fiscal year ending March 31, 2005. Due to the significance of the changes required, it is not possible to present pro-forma data prior to implementation.

NOTE 2 - CASH AND INVESTMENTS

As of March 31, 2004, total cash, net of checks written but not cleared, and certificates of deposit are recorded in the financial statements in the amount of \$177,595.

Total bank deposits, including certificates of deposits, amounted to \$178,557, of this amount, \$100,000 in FDIC insured and \$ 78,557 is uninsured and uncollateralized.

NOTE 3 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

The Township exceeded budgeted amounts as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over</u>
Highways and streets	\$ 88,100	\$ 98,707	\$ 10,607
Other expenditures	93,710	99,244	5,534
Total	<u>\$ 181,810</u>	<u>\$ 197,951</u>	<u>\$ 16,141</u>

NOTE 4 - GENERAL FIXED ASSETS

A summary of general fixed assets is as follows:

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2004</u>
Land	\$ 9,000	\$ -	\$ -	\$ 9,000
Building	22,000	-	-	22,000
Equipment	<u>31,992</u>	<u>-</u>	<u>-</u>	<u>31,992</u>
	<u>\$ 62,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,992</u>

**Novesta Township  
General Fund  
Statement of Revenues  
Year Ended March 31, 2004**

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Taxes	
Property taxes	\$ 34,554
Road millage	25,995
Administrative fee	<u>7,069</u>
Total taxes	<u>67,618</u>
Intergovernmental	
State revenue sharing	<u>123,606</u>
Charges for services	
Garbage removal	71,589
Fees and permits	<u>1,305</u>
Total charges for services	<u>72,894</u>
Cemetery revenue	
Services	7,955
Cemetery lot sales	<u>3,950</u>
Total cemetery revenue	<u>11,905</u>
Interest	<u>1,474</u>
Other revenue	
Miscellaneous	<u>2,753</u>
Total revenues	<u><u>\$ 280,250</u></u>

**Novesta Township  
General Fund  
Statement of Expenditures  
Year Ended March 31, 2004**

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General government	
Township board	
Salaries	\$ 1,725
Fringe benefits	132
Cass City recreation	300
Professional services	1,290
Printing and publishing	2,352
Insurance	4,677
Miscellaneous	<u>1,302</u>
Total township board	<u>11,778</u>
Supervisor	
Salaries	10,126
Fringe benefits	775
Office supplies	414
Mileage	<u>27</u>
Total supervisor	<u>11,342</u>
Election	
Professional fees	<u>553</u>
Clerk's staff	
Salaries	5,126
Fringe benefits	392
Office supplies	<u>402</u>
Total clerk's staff	<u>5,920</u>
Township hall	
Utilities	<u>1,117</u>
Board of review	
Salaries	628
Miscellaneous	<u>4</u>
Total board of review	<u>632</u>
Treasurer	
Salaries	5,126
Fringe benefits	392
Office supplies	742
Mileage	<u>184</u>
Total treasurer	<u>6,444</u>

**Novesta Township  
General Fund  
Statement of Expenditures  
Year Ended March 31, 2004**

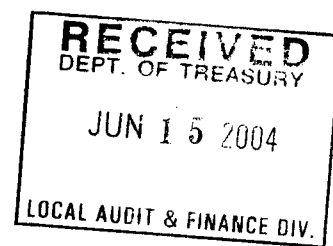
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Zoning	
Salaries	\$ 3,300
Fringe benefits	252
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Total zoning	3,552
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Total general government	41,338
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Public safety	
Ambulance	6,529
Fire contracts	14,350
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Total public safety	20,879
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Highways and streets	
Salaries	579
Fringe benefits	44
Street lighting	1,920
Road construction	80,584
Road brining	10,927
Weed control and mowing	4,652
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Total highways and streets	98,706
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Cemetery	
Salaries	2,724
Fringe benefits	270
Contracted labor	6,790
Operating supplies and miscellaneous	696
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Total cemetery	10,480
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Other expenditures	
Garbage removal	
Contracted services	70,457
Drain at large	25,520
Library	3,267
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Total other expenditures	99,244
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Total expenditures	\$ 270,647
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**Novesta Township**  
**Current Tax Summary**  
**March 31, 2004**

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Taxable value	<u>\$ 26,400,342</u>	
Mills levied	<u>2.2968</u>	
Taxes levied		\$ 60,549
Taxes collected - current		<u>51,970</u>
Delinquent taxes - current levy		<u>\$ 8,579</u>



May 28, 2004

To the Township Board  
Novesta Township  
Tuscola County, Michigan

In planning and performing our audit of the financial statements of the Novesta Township for the year ended March 31, 2004, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated May 28, 2004, on the financial statements of the Novesta Township.

#### **GASB 34**

The Township is required to adopt GASB 34 for the fiscal year ended March 31, 2005. The major change being, financial statements will now be shown on the full accrual basis. All assets and liabilities of the Township will be recorded on the financial statements and there will no longer be a general fixed asset account group.

We recommend that you start taking steps now in order for a smooth conversion. Outlined below are the main items the Township needs to focus on for this process.

1. The board needs to adopt a capitalization policy for its fixed assets. We recommend that you select a dollar amount and capitalize anything above that amount.
2. A fixed asset depreciation schedule needs to be prepared and maintained. The schedule should list each fixed asset (based on the capitalization policy adopted); date purchased, purchase price, depreciation method (normally straight line), life of asset, accumulated depreciation as of 3/31/04, current year depreciation, and the net book value.
3. Management's, Discussion and Analysis (MD&A) is a new item that will need to accompany your audited financial statements. The MD&A is intended to give the reader an easy-to-understand overview of the Township's financial position and results of operations for the year. The MD&A precedes and introduces the financial statements and must be prepared by the Township's management.



We will discuss the status of these comments during our next audit engagement. We have already discussed many of the comments and suggestions with management, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We wish to thank the Novesta Township staff for their support and assistance during our audit. It is with pride that we count the Novesta Township as one of our clients.

This report is intended solely for the information and use of the Township Board and management and is not intended to be and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Marlette, Michigan

May 28, 2004